

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7482

BILL NUMBER: SB 199

DATE PREPARED: Feb 12, 2001

BILL AMENDED: Feb 12, 2001

SUBJECT: Funding of retirement and severance benefits.

FISCAL ANALYST: Chuck Mayfield

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FUNDS AFFECTED: **GENERAL
DEDICATED
FEDERAL**

IMPACT: Local

Summary of Legislation: (Amended) This bill provides that if a school corporation establishes after June 30, 2001, a retirement or severance plan or enters into any contract provisions that: 1) will require the school corporation to pay post-retirement or severance benefits to employees of the school corporation, or 2) will increase the benefit or the unfunded liability under any retirement or severance provisions that will require the school corporation to pay post-retirement or severance benefits to employees of the school corporation, the school corporation must actuarially pre-fund the post-retirement or severance benefits.

Effective Date: July 1, 2001.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) Schools would be required to actuarially fund any new or increased retirement or severance benefits. The impact would depend on the number of new or increased retirement or severance benefits granted by schools in the future.

Funding for the bill would be from existing revenue sources.

Background : About 289 of the 294 school corporation have some severance and or early retirement benefits provision as part of the school's contract. Approximately 50 are currently funded on an actuarial basis. Certified staff salaries for the 1999-2000 school year were about \$3.0 B. Each 1% of payroll required to fund the benefits would cost schools about \$30 M. The actual cost would depend on the benefits granted by the school corporation.

The maximum severance benefits range between \$4,200 and \$103,075 with the average being \$18,338 per

teacher.

The maximum early retirement benefits range between \$15,000 and \$205,724 with the average being \$69,855 per teacher.

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected: Local School Corporations.

Information Sources: School Boards Association